

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 NSC-05

SS-15 STR-04 CEA-01 L-03 /096 W
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P R 231803Z SEP 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 5804

INFO AMEMBASSY KINSHASA

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 15111

PASS EXIM BANK FOR DAVID BEIM AND TREASURY FOR STEPHEN
CANNER

E.O. 11652: XGDS-1

TAGS: EFIN, UK

SUBJECT: FOLLOW-UP DISCUSSION WITH GOVERNOR SAMBWA AND
DISCUSSION WITH PRIVATE BANKERS

1. AF/C DEPUTY DIRECTOR MARKS REVIEWED SITUATION WITH GOVERNOR SAMBWA EVENING SEPTEMBER 22. SAMBWA EXPRESSED GREAT SATISFACTION OVER PROGRESS HIS TALKS WITH PRIVATE BANKERS AS WELL AS CONFIDENCE THAT ALL PARTIES WOULD SOON CONCLUDE AGREEMENT ON INGA-SHABA POWER PROJECT LOAN. IN REGARD TO EXIM PAYMENT FACILITY PLAN, SAMBWA SAID THAT BANKERS TRUST EXPLAINED TO HIM THAT SEVERAL OF SMALLER BANKS IN SYNDICATE WERE SOURCE OF CONCERN OVER PAYMENT FACILITY. SAMBWA TOLD MARKS THAT HE HAD AGREED TO ASSIST BANKERS TRUST IN MOLLIFYING THESE SMALLER BANKS BY ARRANGING FOR PAYMENTS ON OUTSTANDING DEBT IN VERY NEAR FUTURE. MARKS QUERIED SAMBWA TO MAKE SURE OF THIS ARRANGEMENT' AND SAMBWA CONFIRMED IT INVOLVED PAYMENTS TO BANKERS TRUST SYNDICATE FOR PURPOSE OF ASSISTING BANKERS TRUST AS AGENT BANK TO OBTAIN SYNDICATE CONCURRENCE WITH EXIM BANK'S PAY-
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MENT FACILITY FOR NEW MONEY LOAN TO INGA-SHABA PROJECT.

2. REFERRING TO RELATIONS BETWEEN PRIVATE BANKS AND GOZ, SAMBWA EXPRESSED GREAT CONFIDENCE THAT SOME FORM OF AGREEMENT WAS LIKELY AT NEXT MEETING SCHEDULED FOR OCTOBER 20 IN NEW YORK. HE GAVE NO DETAILS AS TO FORM OF SUCH AGREEMENT OR COURSE OF DISCUSSION.

3. PLEASE TREAT SAMBWA'S COMMENTS AS CONFIDENTIAL FOR INTERNAL U.S. GOVERNMENT USE ONLY.

4. MARKS INFORMED SAMBWA STATE OF APPOINTMENT SCHEDULE AS OF SEPTEMBER 22. THAT IS, MORNING CALL ON UNDER SECRETARY ROGERS' FOLLOWED BY CALLS ON EXIM CHAIRMAN AND TREASURY UNDER SECRETARY YEO.

5. MARKS, ACCOMPANIED BY ASSISTANT FINANCIAL ATTACHE HAD SEPARATE TALKS ON THURSDAY MORNING (9/23) WITH REPRESENTATIVE OF FNCB AND BANKERS TRUST WHO ATTENDED PRIVATE BANK SESSIONS WITH SAMBWA ON 9/22. THE BANKERS SAID THEY WERE ENCOURAGED BY ZAIRE'S SINCERE ATTEMPT TO GATHER AND PRESENT STATISTICAL MATERIAL WHICH WOULD ENABLE THEM TO SORT OUT THE COUNTRY'S FINANCIAL SITUATION. THE FIGURES HOWEVER ARE STILL NOT FIRM. ZAIRE PRESENTED A FIGURE OF \$3 BILLION IN EXTERNAL DEBT, HALF OF WHICH WAS SUPPOSED TO BE AS YET UNDRAWN, AND HALF OF THE UNDRAWN DEBT OBLIGATIONS TO GOVERNMENTS. IT WAS POSSIBLE TO IDENTIFY CERTAIN LARGE ITEMS WHICH WERE LISTED AS UNDISBURSED WHICH IN FACT HAD BEEN DRAWN SO THAT THERE REMAINS SOME CONCERN OVER THE QUALITY OF THE STATISTICS. BANKERS WILL BE INTERESTED IN THE AMOUNT OF UNDISBURSED GOVERNMENT LOANS, HOW MUCH OF THIS AMOUNT IS TIED, AND WHETHER THE TIED AMOUNTS FORM A PART OF ZAIRE'S MINIMUM IMPORT LEVEL.

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 5805

INFO AMEMBASSY KINSHASA

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 15111

6. BANKERS SAID SAMBWA PROPOSED RESCHEDULING BANK DEBTS OVER A 15-YEAR PERIOD COMMENCING WITH A 5-YEAR GRACE PERIOD. THE BANKERS REFUSED TO CONSIDER THE PROPOSAL, AND DID NOT, INDIVIDUALLY OR AS A GROUP, SUBMIT A COUNTER-PROPOSAL. THEY IMPRESSED UPON SAMBWA THE NEED TO BECOME CURRENT IN PAYMENTS IN ORDER TO RESTORE ZAIRE'S CREDIT-WORTHINESS AND HENCE ITS ECONOMIC DEVELOPMENT PROSPECTS. THE TERMS "CURRENT" AND "CREDITWORTHY" WERE NOT DEFINED SHARPLY, APPARENTLY TO AVOID USING THE WORD "RESCHEDULING." ZAIRE IS EXPECTED TO MAKE THE NEXT MOVE IN THE NEGOTIATIONS. ALL PARTIES FEEL THAT IT IS NECESSARY TO REACH AN AGREEMENT OF SOME NATURE IN OCTOBER TO AVOID AN INTERMINABLE SERIES OF FRUITLESS MEETINGS.

7. SOME BANKS FEEL THAT THERE ARE SOURCES OF FINANCE THAT ZAIRE SHOULD UTILIZE IN THE CURRENT CRISIS, SUCH AS ADDITIONAL DRAWINGS FROM THE IMF AND COPPER SHIPMENTS POSSIBLY CUT OFF IN ANGOLA DURING THE WAR.

8. CITIBANK AND BANKERS TRUST WERE NOT INFORMED ON DEVELOPMENTS TO WORK OUT THE INGA-SHABA POWER PROJECT LOAN.

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OPMENTS TO WORK OUT THE INGA-SHABA POWER PROJECT LOAN.

9. ONE BANK CONFIRMED THAT ZAIRE'S GOLD HOLDINGS VALUED AT \$30 MILLION (AT \$100 PER OUNCE) WERE PLEDGED TO THE SOCIETE GENERAL AS COLLATERAL. THIS LOAN HAS BEEN TWO-THIRDS OR PERHAPS COMPLETELY REPAID, AND A SOURCE SUSPECTS THAT THE GOLD WAS USED AGAIN AS COLLATERAL FOR A \$30 MILLION LOAN TO PETRO ZAIRE.

10. SOURCES HAD NO SPECIFIC INFORMATION BUT BELIEVED THAT ZAIRE HAS BEEN REDUCING ITS SHORT-TERM ARREARAGES TO SELECT DEBTORS.

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